

**MT. PLEASANT CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2006**

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GOVERNMENT AUDITING STANDARDS REPORT

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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INDEPENDENT AUDITOR'S REPORT

November 28, 2006

Honorable Mayor
Members of the City Council
Mt. Pleasant City, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mt. Pleasant City, Utah (City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

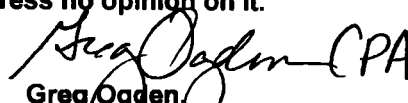
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable thereof, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 28, 2006 on my consideration of Mt. Pleasant City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mt. Pleasant City's basic financial statements. The combining nonmajor fund statements and the schedule of impact fees listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combined nonmajor fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of impact fees has not been subjected to the auditing procedures, applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.


Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

This document is a narrative overview and analysis of the financial activities of Mt. Pleasant City for the fiscal year ending June 30, 2006. Mt. Pleasant City management encourages readers to consider the information presented here in conjunction with the financial statements which follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: government activities refers to general administration, parks, public safety, streets, planning, etc, while business-type activities refers to operations such as the sewer, water, power and pressurized irrigation.

FINANCIAL HIGHLIGHTS

- The total net assets of Mt. Pleasant City increased by \$307,718 totaling \$11,922,900. The governmental net assets increased by \$78,090 and the business-type assets increased by \$229,628.
- The total net assets of governmental and business-type activities is \$11,922,900 and is made up of \$10,124,038 in capital assets, such as land, infrastructure and equipment, and \$1,798,862 in other net assets. The \$1,798,862 in other net assets is made up of \$687,480 which is restricted for community improvements such as street improvement projects, cemetery projects and the Redevelopment Agency. \$516,566 is restricted for debt service primarily for the water, sewer, power and irrigation fund bonded debt as well as the Community Center. Finally, the remaining \$594,816 is unrestricted net assets.
- Total long term liabilities of the City decreased by \$651,538. The long term debt for governmental activities decreased by \$157,991. The business-type activities long term debt decreased by \$493,547.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Mt. Pleasant City's basic financial statements. Mt. Pleasant City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Mt. Pleasant City's finances, in a manner similar to a private-sector business.

- The *statement of net assets* presents information on all of Mt. Pleasant City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Mt. Pleasant City is improving or deteriorating. However, you will also need to consider other non-financial factors.

- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Mt. Pleasant City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 12-14 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Mt. Pleasant City also used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund. The balance of the governmental funds are determined to be non-major and are included in the combining statements within this report.

- **Proprietary funds** - Mt. Pleasant City maintains two types of propriety funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Mt. Pleasant City uses enterprise funds to account for its Pressurized Irrigation Utility, Water and Sewer Utility, Power Utility funds. As determined by generally accepted accounting principles, the pressurized irrigation, culinary water, sewer and power funds meet the criteria for major fund classification.

Additionally, the City reports the following fund types:

- Permanent Funds account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.
- Internal Service Funds account for internal and shared services provided to other departments of the City on a cost-reimbursement basis.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Mt. Pleasant City, assets exceed liabilities by \$11,922,900.

By far the largest portion of Mt. Pleasant City's net assets (85%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

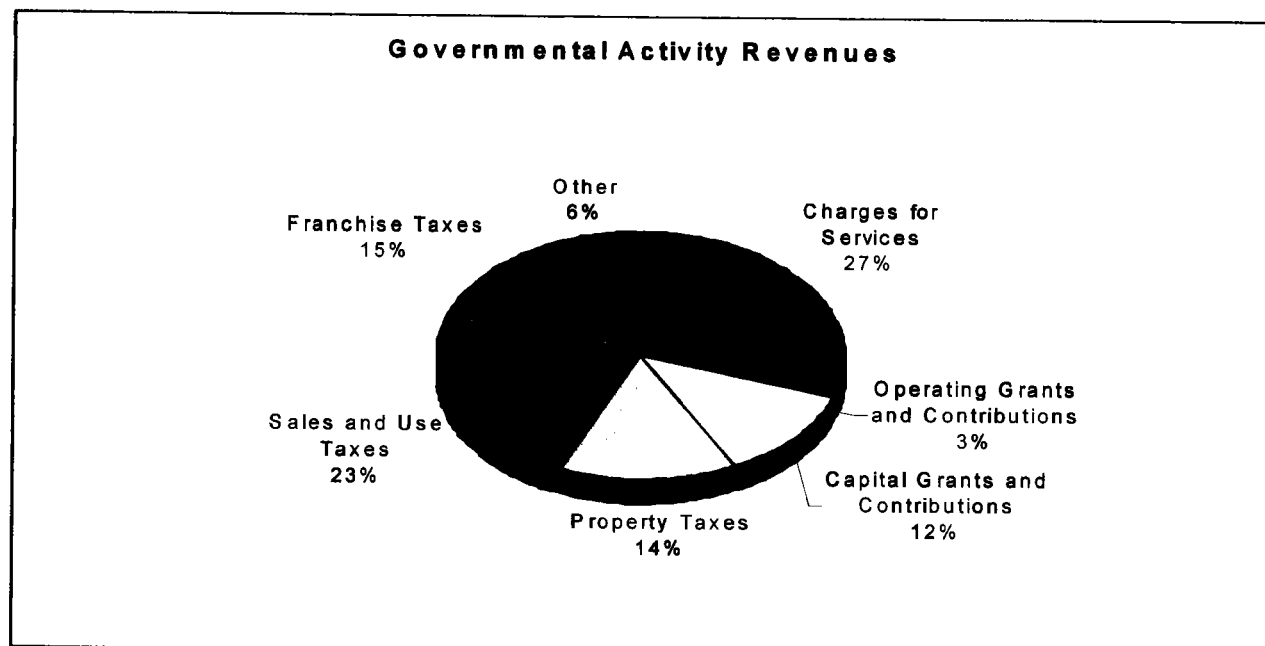
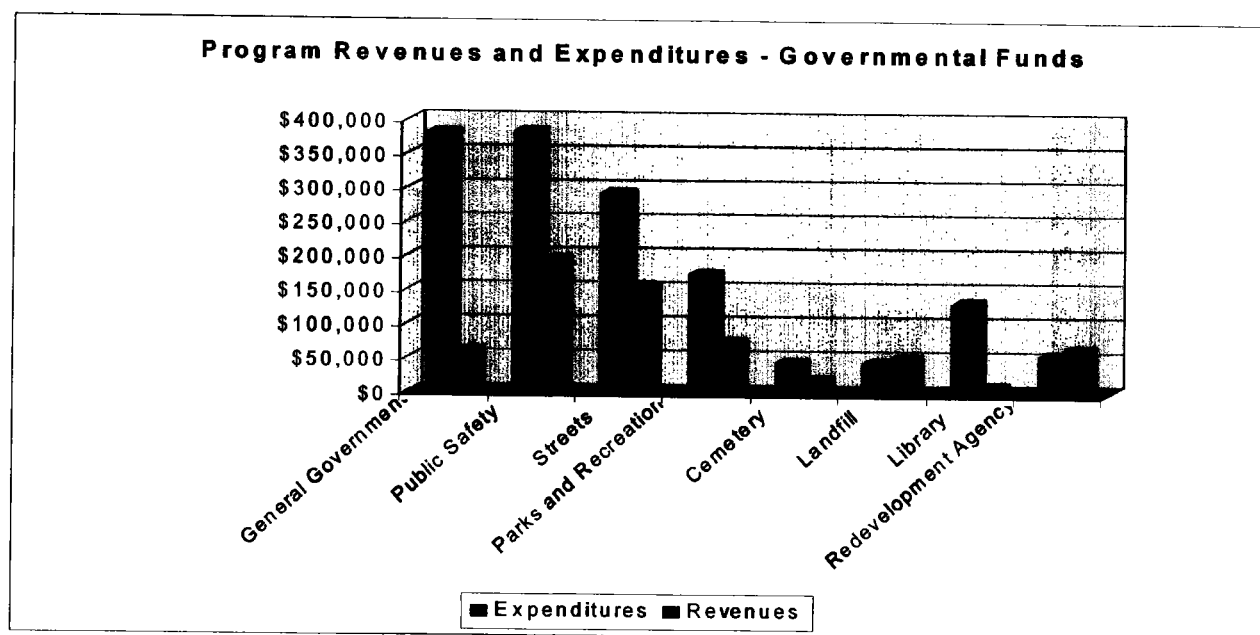
	Governmental Activities		Business-Type Activities	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2004-2005</u>
Current Assets	\$ 330,521	\$ 455,488	\$ 640,468	\$ 573,493
Non-Current Assets	<u>4,994,238</u>	<u>5,034,684</u>	<u>10,761,909</u>	<u>11,062,609</u>
Total Assets	<u>5,324,759</u>	<u>5,490,172</u>	<u>11,402,377</u>	<u>11,636,102</u>
Current Liabilities	35,892	121,404	161,117	136,211
Non-Current Liabilities	<u>438,192</u>	<u>596,183</u>	<u>4,169,035</u>	<u>4,657,294</u>
Total Liabilities	<u>474,084</u>	<u>717,587</u>	<u>4,330,152</u>	<u>4,793,505</u>
<u>Net Assets</u>				
Invested in Capital Assets				
Net of Related Debt	4,101,789	4,122,526	6,022,249	5,849,981
Restricted	659,994	484,548	544,052	576,068
Unrestricted	<u>88,892</u>	<u>165,511</u>	<u>505,924</u>	<u>416,548</u>
Total Net Assets	<u>\$4,850,675</u>	<u>\$ 4,772,585</u>	<u>\$ 7,072,225</u>	<u>\$ 6,842,597</u>

CHANGES IN NET ASSETS

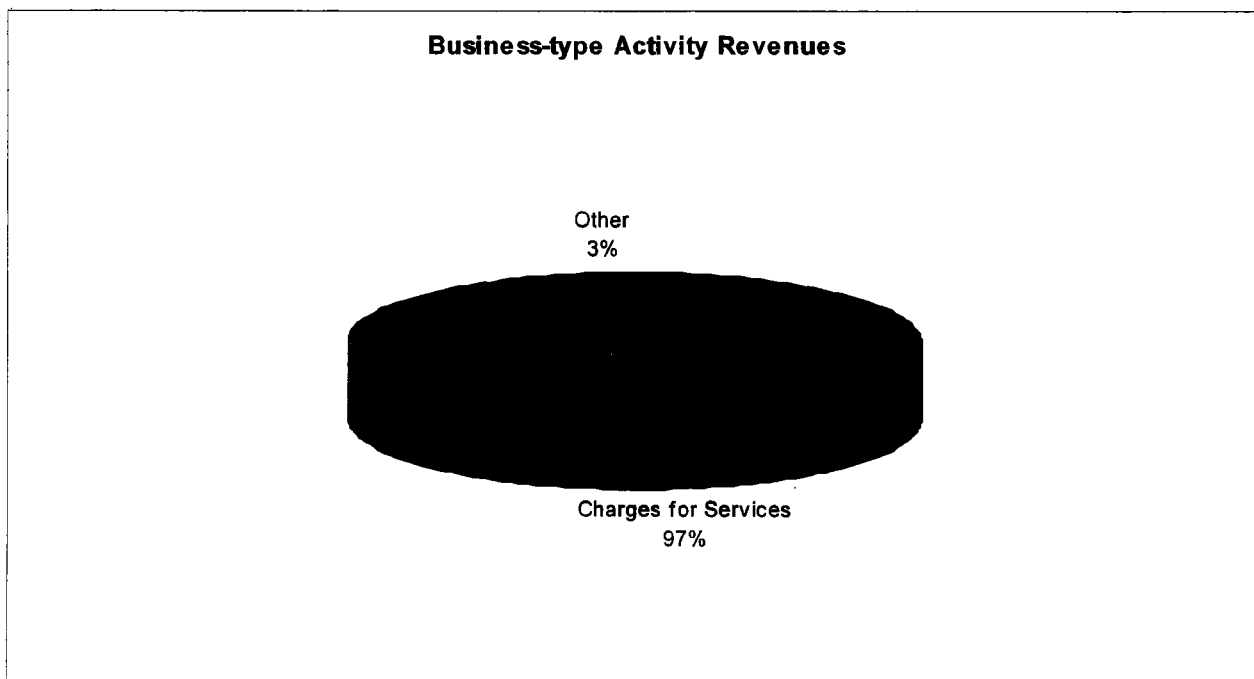
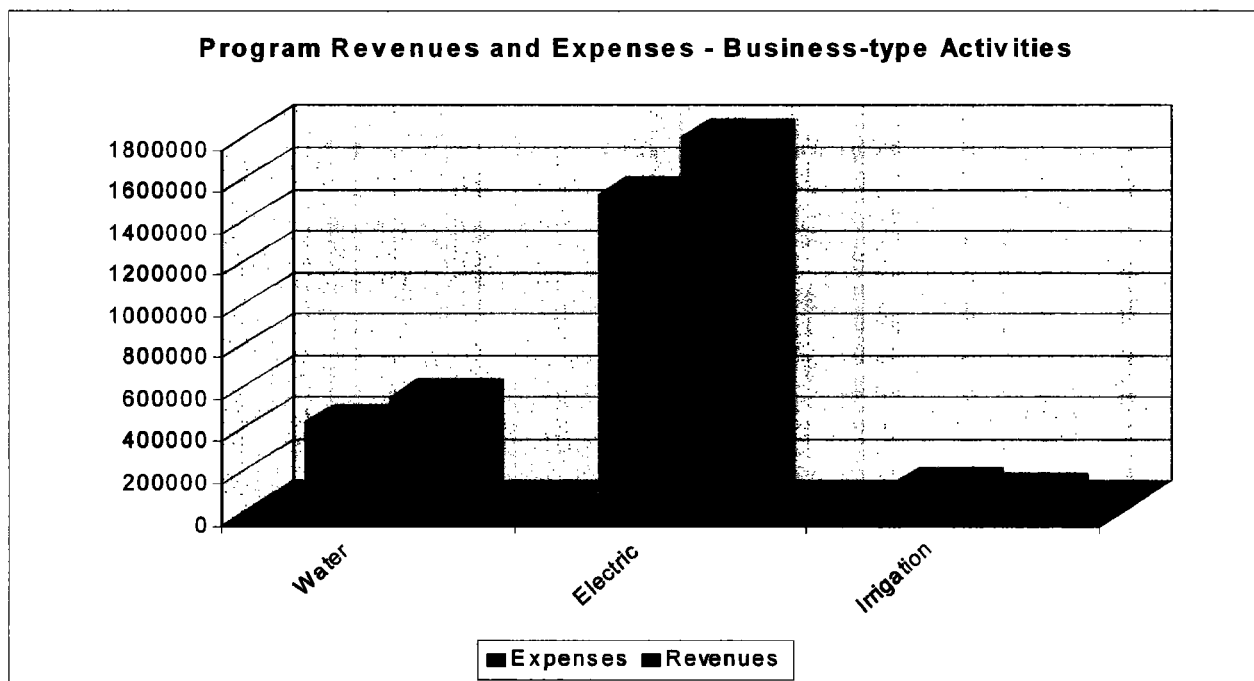
	Governmental Activities		Business-Type Activities	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2004-2005</u>
Revenues				
Program Revenues				
Charges for Services	\$ 409,198	\$ 392,323	\$2,375,003	\$ 2,187,030
Operating Grants & Cont	40,978	32,323		
Capital Grants & Cont	178,095	181,267	64,651	32,425
General Revenues				
Property Taxes	210,962	173,854		
Vehicle Taxes	52,222	53,902		
Sales & Use Tax	346,042	341,996		
Franchise Taxes	216,379	180,188		
911 Taxes				
Other	2,804	3,455		
Interest	29,395	8,924	23,578	15,173
Total Revenues	<u>1,486,075</u>	<u>1,368,232</u>	<u>2,463,232</u>	<u>2,234,628</u>
Expenses				
General Government	380,254	372,333		
Public Safety	382,349	370,138		
Streets	291,859	275,024		
Parks & Recreation	173,135	122,150		
Cemetery	44,155	48,193		
Landfill	44,973	44,682		
Library	131,941	115,678		
Redevelopment Agency	55,365	57,540		
Interest on Long Term Debt	20,090	12,754		
Water			427,714	466,065
Electric			1,520,070	1,675,254
Irrigation			126,877	104,130
Total Expenses	<u>1,524,121</u>	<u>1,418,492</u>	<u>2,074,661</u>	<u>2,245,449</u>
Changes in Net Assets				
Before Transfers	(38,046)	(50,260)	388,571	(10,821)
Transfers	97,943	140,985	(97,943)	(140,985)
Changes in Net Assets	<u>59,897</u>	<u>90,725</u>	<u>290,628</u>	<u>(151,806)</u>
Net Assets Beginning	4,772,585	4,681,860	6,842,597	6,994,403
Prior Period Adjustment	18,193		(61,000)	
Net Assets Ending	<u>\$4,850,675</u>	<u>\$ 4,772,585</u>	<u>\$7,072,225</u>	<u>\$ 6,842,597</u>

Major financial activities included installing water, sewer and power in the Industrial Park. We continue to do sewer extensions when funding permits.

The following graphs display the government-wide activities as reflected in the above tables. Program revenues included in the first graph are fees charges for specific services performed by the various governmental functions. General revenues such as property taxes, sales and use taxes, etc. are not included.



As can be seen from the following charts below, the majority of revenues in the business- type activities are in charges for services with 97% of the revenue coming from this source. The revenues from capital grants and contributions represent the value of infrastructure systems donated to the City via subdivisions being developed.



FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of June 30, 2006, the City's governmental funds, (General, Capital Projects, Debt Service, and Special Revenue) reported combined fund equity of \$757,448. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either be state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended with an increase in expenditures of \$76,250. from the original budget expenditure total. Minor changes, including decreases, were made to several accounts to reflect actual revenue or expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Mt. Pleasant City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$14,738,465 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.) and machinery and equipment. The total decrease in the City's investment in fixed assets for the current year was \$471,613.

MT. PLEASANT CITY'S CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Business-Type Activities	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2004-2005</u>
Capital Assets Not Being Depreciated				
Land	\$ 997,263	\$ 997,263	\$ 203,488	\$ 203,488
Capital Assets Being Depreciated				
Buildings & Structure	1,510,068	1,482,893	56,780	56,780
Improvements & Infra-Structure	4,598,951	4,572,143	15,031,471	14,938,358
Machinery & Equipment & Vehicles	775,636	760,273	774,788	810,788
Less Accumulated Depreciation	<u>(3,361,310)</u>	<u>(3,089,035)</u>	<u>(5,848,670)</u>	<u>(5,522,873)</u>
Net Capital Asset Difference	<u>\$ 4,520,608</u>	<u>\$ 4,723,537</u>	<u>\$10,217,857</u>	<u>\$ 10,486,541</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

Long-term debt-At June 30, 2006, the City had total long-term debt outstanding of \$4,607,227. Of this amount \$134,000 is considered to be a general obligation bond and is backed by the full faith and credit of the City. This general obligation bond was issued to construct the Mt. Pleasant Community/Senior Center in Mt. Pleasant. 1,611,896 is debt secured solely by specific revenue sources (i.e., revenue bonds within the Water and Sewer Funds, Pressurized Irrigation Fund and Power Fund. \$2,604,195 is notes payable for various projects. The City also has equipment lease debt for an asphalt zipper, police cars, trucks, auto read water meter system, etc., totaling \$261,851. The remainder of the long-term debt comes from compensated absences and unamortized bond issuance costs and discounts.

MT. PLEASANT CITY'S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2004-2005</u>
General Obligation Bonds	\$ 134,000	\$ 143,000	\$	\$
Revenue Bonds	16,896	25,896	1,595,000	1,836,000
Notes Payable	230,319	343,102	2,373,876	2,583,949
Capital Leases	36,134	64,062	225,717	268,191
Compensated Absences	<u>20,843</u>	<u>20,123</u>		
Total	<u>\$ 438,192</u>	<u>\$ 596,183</u>	<u>\$4,194,593</u>	<u>\$ 4,688,140</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its taxable value. The City is significantly under this percentage and only has \$134,000 of outstanding general obligation debt which was acquired to fund the Mt. Pleasant City Community/Senior Center.

Additional information on the outstanding debt obligation of the City can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

- The unemployment rate for Sanpete County, (of which Mt. Pleasant City is a part of) was 2.3% compared with a State unemployment rate of 2.5% and a national rate of 4.4%. (Source: Utah Department of Workforce Services)
- The major projects for next year include continuing the expansion of the airport and the Industrial Park. The City Council voted to raise the property tax rate to .003192. The general property tax rate will be set at .002227 a decrease of .000343. The Library tax rate is set at .000965.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Mt. Pleasant City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Mt. Pleasant City Recorder

115 West Main

Mt. Pleasant, UT 84647

BASIC FINANCIAL STATEMENTS

MT. PLEASANT CITY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 53,884	\$ 193,718	\$ 247,602
Accounts Receivable, Net of Allowance for Uncollectibles	296,011	260,577	556,588
Notes Receivable	14,175	-	14,175
Inventory	-	152,624	152,624
Internal Balances	(33,549)	33,549	-
TOTAL CURRENT ASSETS	330,521	640,468	970,989
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	473,630	544,052	1,017,682
Capital Assets			
Non Depreciable	997,263	203,488	1,200,751
Depreciable Assets (net of Depreciation)	3,523,345	10,014,369	13,537,714
TOTAL NONCURRENT ASSETS	4,994,238	10,761,909	15,756,147
TOTAL ASSETS	5,324,759	11,402,377	16,727,136
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	21,717	161,117	182,834
Deferred Revenues	14,175	-	14,175
TOTAL CURRENT LIABILITIES	35,892	161,117	197,009
NONCURRENT LIABILITIES			
Due Within One Year	78,779	321,664	400,443
Due in more than One Year	359,413	3,847,371	4,206,784
TOTAL NONCURRENT LIABILITIES	438,192	4,169,035	4,607,227
TOTAL LIABILITIES	474,084	4,330,152	4,804,236
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	4,101,789	6,022,249	10,124,038
Restricted for			
Community Improvements	244,997	98,305	343,302
Endowments	274,572	-	274,572
Redevelopment Agency	69,606	-	69,606
Debt Service	70,819	445,747	516,566
Unrestricted	88,892	505,924	594,816
TOTAL NET ASSETS	\$ 4,850,675	\$ 7,072,225	\$ 11,922,900

See the accompanying notes to the financial statements

MT. PLEASANT CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ 380,254	\$ 41,848	\$ -	\$ 19,112
Public Safety	382,349	170,055	23,112	-
Streets	291,859	-	-	154,783
Parks and Recreation	173,135	70,551	-	4,200
Cemetery	44,155	18,869	-	-
Landfill	44,973	50,048	-	-
Library	131,941	5,147	5,366	-
Redevelopment Agency	55,365	52,680	12,500	-
Interest on Long-Term Debt	20,090	-	-	-
Total Governmental Activities	1,524,121	409,198	40,978	178,095
Business-type Activities				
Water	427,714	503,908	-	41,468
Electric	1,520,070	1,774,188	-	22,533
Irrigation	126,877	96,907	-	650
Total Business-type Activities	2,074,661	2,375,003	-	64,651
TOTAL PRIMARY GOVERNMENT	\$ 3,598,782	\$ 2,784,201	\$ 40,978	\$ 242,746

General Revenues
Property Taxes
Vehicle Taxes
Sales Taxes
Franchise Taxes
Unrestricted Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning
Prior Period Adjustments
Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Business-type Activities	Total
\$ (319,294)	-	\$ (319,294)
(189,182)	-	(189,182)
(137,076)	-	(137,076)
(98,384)	-	(98,384)
(25,286)	-	(25,286)
5,075	-	5,075
(121,428)	-	(121,428)
9,815	-	9,815
(20,090)	-	(20,090)
<u>(895,850)</u>	<u>-</u>	<u>(895,850)</u>
-	117,662	117,662
-	276,651	276,651
-	(29,320)	(29,320)
<u>-</u>	<u>364,993</u>	<u>364,993</u>
\$ <u>(895,850)</u>	\$ <u>364,993</u>	\$ <u>(530,857)</u>
210,962	-	210,962
52,222	-	52,222
346,042	-	346,042
216,379	-	216,379
29,395	23,578	52,973
2,804	-	2,804
97,943	(97,943)	-
<u>955,747</u>	<u>(74,365)</u>	<u>881,382</u>
59,897	290,628	350,525
4,772,585	6,842,597	11,615,182
18,193	(61,000)	(42,807)
\$ <u>4,850,675</u>	\$ <u>7,072,225</u>	\$ <u>11,922,900</u>

MT. PLEASANT CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>Governmental-type Activities</u>		
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 22,913	\$ 30,971	\$ 53,884
Accounts Receivable, net of Allowance for Uncollectibles	296,011	-	296,011
Due from Other Fund	-	186,443	186,443
Notes Receivable	-	14,175	14,175
Restricted Cash	143,451	330,179	473,630
TOTAL ASSETS	\$ 462,375	\$ 561,768	\$ 1,024,143
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 18,818	\$ 79	\$ 18,897
Compensated Absences	20,843	-	20,843
Deferred Revenue	212,780	14,175	226,955
TOTAL LIABILITIES	252,441	14,254	266,695
<u>FUND BALANCE</u>			
<u>Reserved</u>			
Class C Roads	143,451	-	143,451
Community Improvements	-	62,266	62,266
Debt Service	-	70,819	70,819
Impact Fees	-	39,280	39,280
Endowments	-	274,572	274,572
Redevelopment Agency	-	69,606	69,606
Unreserved	66,483	30,971	97,454
TOTAL FUND EQUITY	209,934	547,514	757,448
TOTAL LIABILITIES AND FUND EQUITY	\$ 462,375	\$ 561,768	\$ 1,024,143

See the accompanying notes to the financial statements

MT. PLEASANT CITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2006

TOTAL GOVERNMENTAL FUNDS BALANCES	\$	757,448
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Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		4,376,670
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		212,780
--	--	---------

Two internal service funds are used by management to charge the cost of internal services and shared services. The activities of the internal service funds are included in the governmental activities of the statement of net assets.		(3,555)
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An amount included as a long-term liability was reclassified as an interfund loan.		(98,006)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements.		<u>(394,662)</u>
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TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>4,850,675</u>
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MT. PLEASANT CITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	<u>Governmental-type Activities</u>		
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 755,258	\$ 28,000	\$ 783,258
Licenses and Permits	11,401	-	11,401
Intergovernmental	172,321	31,612	203,933
Charges for Services	254,072	58,181	312,253
Fines and Forfeitures	85,544	-	85,544
Interest	11,009	18,386	29,395
Miscellaneous	2,804	-	2,804
TOTAL REVENUES	1,292,409	136,179	1,428,588
EXPENDITURES			
General Government	359,349	-	359,349
Public Safety	361,743	-	361,743
Streets	120,851	-	120,851
Parks and Recreation	161,944	-	161,944
Cemetery	44,155	-	44,155
Landfill	44,973	-	44,973
Library	129,684	-	129,684
Redevelopment Agency	-	36,863	36,863
Debt Service			
Principal	1,025	41,646	42,671
Interest and Finance Charges	1,200	19,205	20,405
Capital Outlay	-	56,000	56,000
TOTAL EXPENDITURES	1,224,924	153,714	1,378,638
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	67,485	(17,535)	49,950
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	162,707	65,484	228,191
Impact Fees	-	15,140	15,140
Transfers to Other Funds	(99,060)	(31,188)	(130,248)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	131,132	31,901	163,033
BEGINNING FUND BALANCE	60,609	515,613	576,222
PRIOR PERIOD ADJUSTMENTS	18,193	-	18,193
ENDING FUND BALANCE	\$ 209,934	\$ 547,514	\$ 757,448

See the accompanying notes to the financial statements

MT. PLEASANT CITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES
AND USES - TOTAL GOVERNMENTAL FUNDS** **\$ 163,033**

*Amounts reported for governmental activities in the statement of activities
are different because*

Property taxes will not be collected for several months after the City's fiscal
year end. They are not considered to be available revenues in the governmental
funds. Deferred property tax revenues increased by this amount this year. **42,347**

Governmental funds report capital outlays as expenditures. In the statement
of activities the cost of those assets is allocated over their estimated useful
lives as depreciation expense. This is the amount by which depreciation
exceeded capital outlays in the current period. **(194,900)**

Issuance of long-term debt provides current financial resources to governmental
funds. The repayment of the principal of long-term debt consumes the
current financial resources of governmental funds. This amount is the net
difference in the treatment of long-term debt and related items. **41,646**

Net income or loss from the internal service funds is allocated between
governmental and business-type activities according to amounts charged.
This is the amount allocated to governmental activities. **4,959**

Some revenues and expenses reported in the statement of activities do not add
to or required the use of current financial resources and, therefore, are not
reported as revenues or expenditures in the governmental funds. **2,812**

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS **\$ 59,897**

See the accompanying notes to the financial statements

MT. PLEASANT CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>with Final</u> <u>Budget</u>
<u>REVENUES</u>				
Taxes	\$ 763,443	\$ 833,443	\$ 755,258	\$ (78,185)
Licenses and Permits	11,400	11,400	11,401	1
Intergovernmental	231,162	236,446	172,321	(64,125)
Charges for Services	257,758	304,981	254,072	(50,909)
Fines and Forfeitures	121,300	107,363	85,544	(21,819)
Interest	5,200	10,000	11,009	1,009
Miscellaneous	8,950	8,950	2,804	(6,146)
 TOTAL REVENUES	 1,399,213	 1,512,583	 1,292,409	 (220,174)
<u>EXPENDITURES</u>				
General Government	373,917	394,193	359,349	34,844
Public Safety	385,552	412,395	361,743	50,652
Streets	281,454	281,295	120,851	160,444
Parks and Recreation	150,983	176,221	161,944	14,277
Cemetery	48,000	49,200	44,155	5,045
Landfill	43,000	43,000	44,973	(1,973)
Library	136,008	138,860	129,684	9,176
Debt Service	2,245	2,245	2,225	20
 TOTAL EXPENDITURES	 1,421,159	 1,497,409	 1,224,924	 272,485
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	(21,946)	15,174	67,485	52,311
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from Other Funds	137,127	162,686	162,707	21
Transfers to Other Funds	(87,939)	(150,618)	(99,060)	51,558
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES				
	27,242	27,242	131,132	103,890
 FUND BALANCE ALLOCATION	 (27,242)	 (27,242)	 -	 27,242
 EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS				
	\$ -	\$ -	\$ 131,132	\$ 131,132

See the accompanying notes to the financial statements

MT. PLEASANT CITY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Electric	Pressurized Irrigation	Total Enterprise Funds	Internal Service Funds
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ -	\$ 108,040	\$ 85,678	\$ 193,718	\$ -
Accounts Receivable, Net of Allowance for Uncollectibles	59,290	191,334	9,953	260,577	-
Due from Other Fund	-	134,497	-	134,497	-
Inventory	-	152,624	-	152,624	-
TOTAL CURRENT ASSETS	59,290	586,495	95,631	741,416	-
NONCURRENT ASSETS					
Restricted Assets					
Cash and Cash Equivalents	215,741	293,635	34,676	544,052	-
Capital Assets					
Land	113,150	87,338	3,000	203,488	-
Buildings	6,890	49,890	-	56,780	166,380
Improvements	6,641,757	7,245,052	1,144,662	15,031,471	-
Machinery and Equipment	364,017	410,771	-	774,788	221,840
Less Accumulated Depreciation	(2,706,082)	(2,594,939)	(547,649)	(5,848,670)	(244,282)
TOTAL NONCURRENT ASSETS	4,635,473	5,491,747	634,689	10,761,909	143,938
TOTAL ASSETS	4,694,763	6,078,242	730,320	11,503,325	143,938
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	1,659	73,624	111	75,394	1,350
Customer Deposits	-	59,150	-	59,150	-
Accrued Interest Payable	1,451	19,020	6,102	26,573	-
Due to Other Fund	43,492	29,479	29,479	102,450	120,484
Current Portion of Long-Term Debt	107,339	168,307	46,018	321,664	15,528
TOTAL CURRENT LIABILITIES	153,941	349,580	81,710	585,231	137,362
NONCURRENT LIABILITIES					
Leases Payable	108,957	76,065	-	185,022	8,629
Notes Payable	-	1,928,785	320,122	2,248,907	-
Bonds Payable	874,000	539,442	-	1,413,442	-
TOTAL NONCURRENT LIABILITIES	982,957	2,544,292	320,122	3,847,371	8,629
TOTAL LIABILITIES	1,136,898	2,893,872	401,832	4,432,602	145,991
NET ASSETS					
Investment in Capital Assets, Net of Related Debt	3,327,985	2,466,493	227,771	6,022,249	119,781
Restricted					
Community Improvements	62,471	35,834	-	98,305	-
Debt Service	153,270	257,801	34,676	445,747	-
Unrestricted	14,139	424,242	66,041	504,422	(121,834)
TOTAL NET ASSETS	\$ 3,557,865	\$ 3,184,370	\$ 328,488	\$ 7,070,723	\$ (2,053)

See the accompanying notes to the financial statements

MT. PLEASANT CITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Electric	Pressurized Irrigation	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Charges for Services	\$ 468,054	\$ 1,660,121	\$ 87,532	\$ 2,215,707	\$ 326,608
Connection Fees	31,132	95,970	9,027	136,129	-
Miscellaneous	4,722	18,097	348	23,167	-
TOTAL OPERATING REVENUES	503,908	1,774,188	96,907	2,375,003	326,608
OPERATING EXPENSES					
Salaries and Benefits	140,364	321,155	62,294	523,813	13,551
Operations	123,846	876,394	18,992	1,019,232	265,698
Depreciation	155,848	180,511	25,437	361,796	23,392
TOTAL OPERATING EXPENSES	420,058	1,378,060	106,723	1,904,841	302,641
OPERATING INCOME (LOSS)	83,850	396,128	(9,816)	470,162	23,967
NON-OPERATING REVENUES (EXPENSES)					
Impact Fees	41,468	22,533	650	64,651	-
Interest Income	10,204	10,112	3,262	23,578	-
Interest Expense	(12,158)	(154,822)	(20,988)	(187,968)	(860)
TOTAL NON-OPERATING REVENUES (EXPENSES)	39,514	(122,177)	(17,076)	(99,739)	(860)
INCOME BEFORE TRANSFERS	123,364	273,951	(26,892)	370,423	23,107
Transfers from Other Funds	-	-	54,216	54,216	-
Transfers to Other Funds	(44,904)	(107,255)	-	(152,159)	-
CHANGE IN NET ASSETS	78,460	166,696	27,324	272,480	23,107
TOTAL NET ASSETS AT BEGINNING OF YEAR	3,540,405	3,017,674	301,164	6,859,243	(25,160)
PRIOR PERIOD ADJUSTMENTS	(61,000)	-	-	(61,000)	-
TOTAL NET ASSETS AT END OF YEAR	\$ 3,557,865	\$ 3,184,370	\$ 328,488	7,070,723	\$ (2,053)

Some amounts reported for business-type activities in the statements of net assets are different because the net revenue (expense) of the internal service funds are reported with business-type activities.

1,502

Change in Net Assets of Business-type Activities

\$ 7,072,225

See the accompanying notes to the financial statements

MT. PLEASANT CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Electric	Pressurized Irrigation	Total Enterprise Funds	Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Receipts from Customers	\$ 499,400	\$ 1,765,071	\$ 96,908	\$ 2,361,379	\$ 326,608
Payments to Suppliers	(125,453)	(874,685)	(20,347)	(1,020,485)	(281,843)
Payments to Employees	(140,364)	(321,155)	(62,294)	(523,813)	(13,551)
NET CASH FLOWS FROM OPERATING ACTIVITIES	233,583	569,231	14,267	817,081	31,214
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Due from Other Fund	-	6,462	-	6,462	-
Due to Other Fund	(9,057)	(1,024)	(1,024)	(11,105)	1,571
Transfers from Other Funds	-	-	54,216	54,216	-
Transfers to Other Funds	(44,904)	(107,255)	-	(152,159)	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(53,961)	(101,817)	53,192	(102,586)	1,571
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Impact Fees	41,468	22,533	650	64,651	-
Acquisition of Capital Assets	-	(93,113)	-	(93,113)	(15,363)
Lease Payments	(20,051)	(22,423)	-	(42,474)	(16,562)
Note Payments	-	(74,737)	(43,826)	(118,563)	-
Bond Payments	(242,000)	(54,713)	-	(296,713)	-
Interest Expense	(12,863)	(154,678)	(21,719)	(189,260)	(860)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(233,446)	(377,131)	(64,895)	(675,472)	(32,785)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest Income	10,204	10,112	3,262	23,578	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	10,204	10,112	3,262	23,578	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(43,620)	100,395	5,826	62,601	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	259,361	301,280	114,528	675,169	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 215,741	\$ 401,675	\$ 120,354	\$ 737,770	\$ -

See the accompanying notes to the financial statements

MT. PLEASANT CITY
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Electric	Pressurized Irrigation	Total Enterprise Funds	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 83,850	\$ 396,128	\$ (9,816)	\$ 470,162	\$ 23,967
Adjustments					
Depreciation	155,848	180,511	25,437	361,796	23,392
Changes in Assets and Liabilities					
Accounts Receivable, Net	(4,508)	(10,173)	1	(14,680)	-
Inventory	-	(26,396)	-	(26,396)	-
Accounts Payable	(1,607)	28,105	(1,355)	25,143	(16,145)
Customer Deposits	-	10,550	-	10,550	-
Deferred Revenue	-	(9,494)	-	(9,494)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 233,583	\$ 569,231	\$ 14,267	\$ 817,081	\$ 31,214

See the accompanying notes to the financial statements

MT. PLEASANT CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Mt. Pleasant City, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

Financial Reporting Entity

Mt. Pleasant City is incorporated under the laws of the State of Utah. The City is a municipal corporation governed by an elected five-member Council and Mayor. The City provides municipal services under the following organizational structure:

**General Government: Mayor and City Council, Justice Court, Treasurer, Recorder
Legal, Grounds, Airport, Planning and Zoning**

Public Safety: Police, Fire, Ambulance and Animal Control

Public Works: Streets, Water, Sewer, Electric and Irrigation

Parks and Recreation: Celebrations, Parks, Recreation Center and Recreation

Other: Cemetery, Landfill, Library, and Redevelopment Agency

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the City's water production, treatment and distribution operations and the sewer treatment operations.

The *electric fund* accounts for the activities of the City's electric generation and distribution operations.

The *pressurized irrigation fund* accounts for the activities of the City's pressurized irrigation distribution operations.

Activities of these three funds include administration, operations and maintenance of the systems, and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all proprietary fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

NOTE 1 - (CONTINUED)

The City additionally reports the following fund type:

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains a *redevelopment agency fund*, which is a special revenue fund used to account for property tax revenues that will be used for redevelopment projects within the City.

A five member board of trustees composed of the City council governs the Redevelopment Agency of Mt. Pleasant City (RDA). Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. Separate financial statements are not issued for the RDA.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances".

NOTE 1 - (CONTINUED)

C. Inventories and prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. These costs are recorded as an expenditure when used. Proprietary fund inventories are recorded at the lower of cost or market on a weighted-average basis, which approximates the first-in, first-out method.

D. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

E. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and Structures	20-50 years
Improvements and Infrastructure	20-50 years
Machinery, Equipment and Vehicles	5-20 years

F. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. No more than 12 days of vacation may be carried forward. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. The accumulated sick leave is earned at a rate of one day per month. No accumulated, unused sick leave will be paid at termination.

NOTE 1 - (CONTINUED)

G. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

H. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

I. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. . These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

NOTE 1 - (CONTINUED)

Deferred Revenue

Property taxes due November 30, 2006 and unpaid from 2005 and the balance of notes receivable in the redevelopment agency fund are shown as deferred revenue.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 997,263
Buildings and Structures	1,343,688
Improvements and Infrastructure	4,598,951
Machinery, Equipment and Vehicles	553,796
Less Accumulated Depreciation	<u>(3,117,028)</u>
Net Capital Asset Difference	<u>\$ 4,376,670</u>

Other Long-Term Asset Differences

Property taxes due in November 2006 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2006	<u>\$ 212,780</u>
---	-------------------

NOTE 2 - (CONTINUED)

Internal Service Funds are used by management to charge the costs of internal and shared services to individual funds. The assets and liabilities of these Internal Service Funds are included in the governmental activities on the statement of net assets. However, for the 2006 fiscal year, all charges were made only to enterprise funds, so the current year loss in the internal service funds has been allocated to those enterprise funds.

Buildings	\$ 166,380
Machinery and Equipment	221,840
Accumulated Depreciation	(244,282)
Accounts Payable	(1,350)
Due to Other Fund	(120,484)
Leases Payable	(24,157)
Cumulative Loss Allocated to the Water and Electric Funds	<u>(1,502)</u>
Net Difference	\$ <u>(3,555)</u>

Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Accrued Interest Payable	\$ (1,470)
Capital Leases	(11,977)
Notes Payable	(230,319)
Bonds Payable	<u>(150,896)</u>
Total Long-Term Liability Difference	\$ <u>(394,662)</u>

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 53,983
Depreciation Expense	<u>(248,883)</u>
Net Difference	\$ <u>(194,900)</u>

NOTE 2 - (CONTINUED)

Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Principal Repayments	
Capital Leases	\$ 11,366
Notes Payable	12,280
Bonds Payable	<u>18,000</u>
Net Difference	\$ <u>41,646</u>

Other Revenue and Expense Differences

The change in accrued interest payable is not reported in the statement of revenues, expenditures and changes in fund balance. The details of this difference is reported below:

Change in Accrued Interest Payable	\$ 315
Change in Interfund Loan	<u>2,497</u>
Net Difference	\$ <u>2,812</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

NOTE 3 - (CONTINUED)

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone and natural gas utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

Deposits and investments for City government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$100,305 of the City's bank balances of \$200,305 were uninsured and uncollateralized.

NOTE 4 - (CONTINUED)

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The City government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

As of June 30, 2006, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
State of Utah Public Treasurer's Investment Fund	\$ 1,102,636	\$ 1,102,636	\$ -	\$ -	\$ -
U.S. Treasuries	<u>38,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,387</u>
Total Investments	<u>\$ 1,141,023</u>	<u>\$ 1,102,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,387</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted above.

NOTE 4 - (CONTINUED)

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 123,503
Investments	1,141,023
Cash on Hand	<u>758</u>
Total	<u>\$ 1,265,284</u>
Cash and Cash Equivalents	\$ 247,602
Restricted Cash and Cash Equivalents	<u>1,017,682</u>
Total	<u>\$ 1,265,284</u>

NOTE 5 - RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2006 are presented in the schedule below.

Property taxes are levied on January 1 of 2006, are due in November of 2006, and are budgeted for the 2006 fiscal year. Even though they are not intended to fund the 2006 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the City.

The following is a summary of receivables at June 30, 2006:

	Governmental Activities	Business-type Activities	Total
Accounts Receivable	\$ 7,132	\$ 263,975	\$ 271,107
Allowance for Uncollectibles	-	(3,398)	(3,398)
Property Taxes Receivable	227,673	-	227,673
Sales Taxes Receivable	26,129	-	26,129
Class C Roads Receivable	31,721	-	31,721
Franchise Taxes	<u>3,356</u>	<u>-</u>	<u>3,356</u>
Total	<u>\$ 296,011</u>	<u>\$ 260,577</u>	<u>\$ 556,588</u>

NOTE 6 - NOTES RECEIVABLE

The Redevelopment Agency issues business and property loans to encourage development within the City. The cemetery perpetual care fund has loaned various amounts to the other departments of the City. The outstanding balances of these loans at June 30, 2006 are as follows:

Redevelopment Agency	
Business Loans	\$ 8,414
Property Loans	<u>5,761</u>
	<u>\$ 14,175</u>

NOTE 7 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities, including the internal service funds, for the year ended June 30, 2006.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 997,263	\$ -	\$ -	\$ 997,263
Capital Assets being Depreciated				
Buildings and Structures	1,482,893	27,175	-	1,510,068
Improvements and Infrastructure	4,572,143	26,808	-	4,598,951
Machinery and Equipment	<u>760,273</u>	<u>15,363</u>	<u>-</u>	<u>775,636</u>
Total	7,812,572	69,346	-	7,881,918
Less Accumulated Depreciation	<u>(3,089,035)</u>	<u>(272,275)</u>	<u>-</u>	<u>(3,361,310)</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,723,537</u>	<u>\$ (202,929)</u>	<u>\$ -</u>	<u>\$ 4,520,608</u>

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2006.

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 203,488	\$ -	\$ -	\$ 203,488
Capital Assets being Depreciated				
Buildings and Structures	56,780	-	-	56,780
Improvements and Infrastructure	14,938,358	93,113	-	15,031,471
Machinery and Equipment	<u>810,788</u>	<u>-</u>	<u>(36,000)</u>	<u>774,788</u>
Total	16,009,414	93,113	(36,000)	16,066,527
Less Accumulated Depreciation	<u>(5,522,873)</u>	<u>(361,797)</u>	<u>36,000</u>	<u>(5,848,670)</u>
Business-type Activities Capital Assets, Net	<u>\$10,486,541</u>	<u>\$ (268,684)</u>	<u>\$ -</u>	<u>\$10,217,857</u>

NOTE 7 - (CONTINUED)

Depreciation was charged to the functions/programs of the primary government as follows:

Government Activities	
General Government	\$ 26,860
Public Safety	20,606
Streets	170,886
Parks and Recreation	11,191
Library	2,733
Redevelopment Agency	16,607
Internal Service Funds	<u>23,392</u>
Total Depreciation Expense-Governmental Activities	\$ <u>272,275</u>
Business-type Activities	
Water and Sewer	\$ 155,848
Electric	180,511
Pressurized Irrigation	<u>25,437</u>
Total Depreciation Expense-Business-type Activities	\$ <u>361,796</u>

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts Payable	\$ 20,247	\$ 75,394
Accrued Interest Payable	1,470	26,573
Customer Deposits	<u>-</u>	<u>59,150</u>
Total Accounts Payable and Accrued Liabilities	\$ <u>21,717</u>	\$ <u>161,117</u>

NOTE 9 - CAPITAL LEASES

The City has entered into lease agreements, as the lessee, to finance the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. All City lease contracts contain a fiscal non-funding clause, which gives the City Council the option of terminating the contract at the end of any fiscal year during the contract. In the opinion of City management, the likelihood of this clause being exercised is remote.

NOTE 9 - (CONTINUED)

The following is a schedule of yearly future lease payments for the capital leases together with the present value of the net minimum lease payments as of June 30, 2006:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2007	\$ 28,989	\$ 49,558
2008	6,381	49,558
2009	2,396	49,558
2010	399	49,558
2011	-	22,344
2012-2013	-	33,517
Total Minimum Lease Payments	38,165	254,093
Interest Portion	(2,031)	(28,376)
Present Value of Net Minimum Lease Payments	\$ 36,134	\$ 225,717

NOTE 10 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Capital Leases					
Asphalt Zipper	\$ 23,343	\$ -	\$ (11,366)	\$ 11,977	\$ 11,977
Ford and Dodge Trucks - Zions	9,790	-	(9,790)	-	-
Ford Crown Victoria - Zions	-	8,060	(1,456)	6,604	1,893
Ford Crown Victoria - Zions	18,929	-	(7,376)	11,553	7,635
Backhoe - Century Equipment	12,000	-	(6,000)	6,000	6,000
Notes Payable					
General Fund Loan from the Cemetery Fund	100,503	-	(100,503)	-	-
Olene Walker Trust Fund	152,948	-	(10,096)	142,852	10,083
RDA Loan - Wells Fargo	89,651	-	(2,184)	87,467	2,348
General Obligation Bonds					
1998 Series	143,000	-	(9,000)	134,000	9,000
Revenue Bonds					
1999 Street Improvement	25,896	-	(9,000)	16,896	9,000
Compensated Absences	<u>20,123</u>	<u>720</u>	<u>-</u>	<u>20,843</u>	<u>20,843</u>
	<u>\$ 596,183</u>	<u>\$ 8,780</u>	<u>\$ (166,771)</u>	<u>\$ 438,192</u>	<u>\$ 78,779</u>

NOTE 10 - (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities</u>					
Capital Leases					
Auto-Read Water Meter System	\$ 142,945	\$ -	\$ (16,649)	\$ 126,296	\$ 17,339
Ford and Dodge Trucks - Zions	3,402	-	(3,402)	-	-
Altec Digger Derrick	121,844	-	(22,423)	99,421	23,356
Notes Payable					
Water/Sewer, Electric and Irrigation Funds Loan from the Cemetery Fund	91,509	-	(91,509)	-	-
Department of Agriculture Electric Loan	2,082,474	-	(74,738)	2,007,736	78,951
Division of Finance Irrigation Loan	373,289	-	(39,984)	333,305	41,983
Division of Finance Irrigation Loan	36,677	-	(3,842)	32,835	4,035
Revenue Bonds					
1991 Water	474,000	-	(36,000)	438,000	37,000
1993A Water	13,000	-	(3,000)	10,000	4,000
1993B Water	21,000	-	(5,000)	16,000	5,000
1993 Water Refunding	51,000	-	(51,000)	-	-
1991 and 1993 Water	544,000	-	(44,000)	500,000	44,000
1993 Sewer	42,000	-	(42,000)	-	-
1998 Electric Refunding	335,000	-	(40,000)	295,000	45,000
2001 Electric	<u>356,000</u>	<u>-</u>	<u>(20,000)</u>	<u>336,000</u>	<u>21,000</u>
	<u>\$ 4,688,140</u>	<u>\$ -</u>	<u>\$ (493,547)</u>	<u>4,194,593</u>	<u>\$ 321,664</u>
Unamortized Bond Issuance Costs and Discounts				<u>(25,558)</u>	
				<u>\$ 4,169,035</u>	

NOTE 10 - (CONTINUED)

Long-term debt and obligations payable at June 30, 2006 were as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Capital Leases Payable				
2003 Asphalt Zipper (original amount--\$54,235)	5.25%	2007	\$ 11,977	\$ -
Ford Crown Victoria - Zions (original amount--\$8,060)	4.10%	2010	1,893	4,711
Ford Crown Victoria - Zions (original amount--\$22,523)	3.48%	2008	7,635	3,918
Backhoe - Century Equipment (original amount--\$30,000)	0.00%	2007	6,000	-
Notes Payable				
2004 Olene Walker Trust Loan (original amount--\$169,352)	1.00%	2020	10,083	132,769
RDA Loan - Wells Fargo (original amount--\$90,000)	7.26%	2010	2,348	85,119
Bonds Payable				
General Obligation Bonds, Series 1998 (original amount--\$200,000)	3.00%	2018	9,000	125,000
Street Improvement Revenue Bonds, Series 1999 (original amount--\$100,000)	3.00%	2008	9,000	7,896
Compensated Absences			<u>20,843</u>	<u>-</u>
Total Governmental Activities Long-term Debt			<u>\$ 78,779</u>	<u>\$ 359,413</u>

NOTE 10 - (CONTINUED)

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Capital Leases Payable				
Auto-Read Water Meter System (original amount--\$181,800)	4.10%	2013	\$ 17,339	\$ 108,957
Altec Digger Derrick (original amount--\$121,844)	4.12%	2010	23,356	76,065
Notes Payable				
Department of Agriculture Electric Loan (original amount--\$2,740,000)	5.50%	2023	78,951	1,928,785
Department of Finance Irrigation Loan (original amount--\$888,000)	5.00%	2013	41,983	291,322
Department of Finance Irrigation Loan (original amount--\$80,000)	5.00%	2013	4,035	28,800
Bonds Payable				
Water Revenue Bonds, Series 1991 (original amount--\$917,000)	0.00%	2018	37,000	401,000
Water Revenue Bonds, Series 1993A (original amount--\$48,510)	0.00%	2009	4,000	6,000
Water Revenue Bonds, Series 1993B (original amount--\$76,490)	0.00%	2009	5,000	11,000
Water Revenue Bonds, Series 1991 and 1993 (original amounts--\$863,000 and \$125,000)	0.00%	2013	44,000	456,000
Electric Refunding Bonds, Series 1998 (original amount--\$582,000)	4.20% to 4.70%	2011	45,000	250,000
Electric Revenue Bonds, Series 2001 (original amount--\$403,000)	3.90% to 5.40%	2017	21,000	315,000
Unamortized defeasance cost of refunded bonds			-	(25,558)
Total Business-type Activities Long-term Debt			<u>\$ 321,664</u>	<u>\$ 3,847,371</u>

NOTE 10 - (CONTINUED)

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-Wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 57,936	\$ 13,659	\$ 321,664	\$ 165,857	\$ 379,600	\$ 179,516
2008	36,586	11,758	330,109	154,630	366,695	166,388
2009	25,253	10,672	377,990	142,975	403,243	153,647
2010	100,666	9,961	384,330	130,583	484,996	140,544
2011	21,494	3,814	428,660	117,633	450,154	121,447
2012-2016	112,074	12,427	1,222,356	407,337	1,334,430	419,764
2017-2021	63,340	1,783	909,920	175,760	973,260	177,543
2022-2025	-	-	219,564	7,934	219,564	7,934
	<u>\$ 417,349</u>	<u>\$ 64,074</u>	<u>\$ 4,194,593</u>	<u>\$ 1,302,709</u>	<u>\$ 4,611,942</u>	<u>\$ 1,366,783</u>

NOTE 11 - RESERVED FUND EQUITY

The Class "C" Roads allotment from the state excise tax is reserved for construction and maintenance of City streets and roads. The City's bond covenants require certain reservations of retained earnings in the water and electric funds. Utah State statute requires unexpended impact fees held at year-end to be reserved for future expansion in the charging department or fund. These amounts are classified as reserved for community improvements. A perpetual trust fund is designed to provide future operating costs for the cemetery. Funds are collected at the time a lot is sold and a percentage of the fee is transferred to the trust fund. The fund balance in the redevelopment agency fund has been reserved for redevelopment loans.

NOTE 12 - RETIREMENT PLANS

Plan Description

Mt. Pleasant City contributes to the Local Governmental Contributory and Noncontributory Retirement Systems, the Public Safety Contributory Retirement System, and the Public Safety Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

NOTE 12 - (CONTINUED)

Funding Policy

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 6.00% to the Local Government Contributory, and 12.29% to the Public Safety Contributory Retirement Systems, respectively. Mt. Pleasant City is required to contribute a percent of covered salary to the respective systems, 7.08% to the Local Government Contributory, 11.09% to the Local Government Noncontributory, 7.95% to the Public Safety Contributory, and 19.34% to the Public Safety Noncontributory Systems. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Mt. Pleasant City's contributions to the various systems for the years ending June 30, 2006, 2005 and 2004 respectively were; for the Contributory System, \$11,719, \$18,488 and \$17,049; for the Noncontributory System, \$39,889, \$35,802, and \$27,280; for the Public Safety Noncontributory, \$8,253, \$7,710, and \$6,047; for the Public Safety Noncontributory, \$28,185, \$26,858, and \$21,578, respectively. The contributions were equal to the required contributions for each year.

NOTE 13 - DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan under the Internal Revenue Code Section 401(k) for the City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City participates at rates between 0% and 3.35% depending on the employees' contributions. The rate of City participation can be changed by the City council. During the years ended June 30, 2006, 2005, and 2004, contributions totaling \$5,387, \$6,317, and \$5,525, respectively were made to the plan by employees and \$32,020, \$26,795 and \$18,743, respectively by the City.

NOTE 14 - RISK MANAGEMENT

The City is a member of a combined risk management pool consisting of twenty-three (23) member Cities in the State of Utah. Utah Risk Management Mutual Association (URMMA) is a not-for-profit entity created to pool the resources of local governments together to provide low-cost liability and risk insurance. URMMA provides its members with training and legal and technical support in operating the City's risks. An executive board is elected from the members to meet regularly to discuss risk issues and to make recommendations to the rest of the members at the annual meeting. The City is involved with all aspects of controlling and reducing risk with the help of the association. The association provides annual and semi-annual audits on the City's policies and practices as they relate to risk in the workplace and other liability risks that arise.

The City also carries comprehensive general liability insurance coverage through Fred A. Moreton Company. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years

NOTE 15 - OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	In	Out
General Fund	\$ 162,707	\$ 99,060
Debt Service	49,476	-
Capital Projects	16,008	-
Redevelopment Agency	-	19,836
Permanent Fund	-	11,352
Water	-	44,904
Electric	-	107,255
Pressurized Irrigation	54,216	-
	<u>\$ 282,407</u>	<u>\$ 282,407</u>

NOTE 16 - MT. PLEASANT REDEVELOPMENT AGENCY

The following information is presented as required by the Utah State Code Section 17A-2-1217(3):

1.	The tax increment collected by the agency	\$ 28,000
2.	The amount of tax increment paid to Mt. Pleasant City	\$ 19,836
3.	The outstanding principal amount of loans incurred to finance the cost associated with the project areas:	\$ 230,319
4.	The actual amount expended for:	
	A. Acquisition of property	\$ -
	B. Site Improvements	13,062
	C. Installation of public utilities and roads	20,726
	D. Administration costs	<u>3,075</u>
	TOTAL EXPENDED	<u>\$ 36,863</u>

NOTE 17 - PRIOR PERIOD ADJUSTMENTS

Prior year bail forfeitures totaling \$18,193 had not been recorded as such. The City included \$61,000, placed in an escrow account at the refunding of the 1993 water bonds, as City cash. That amount was paid out to bond holders during 2006.

SUPPLEMENTARY INFORMATION

MT. PLEASANT CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>Special Revenue</u>					Total Nonmajor Govern- mental Funds
	<u>Impact Fees</u>	<u>Redevelop- ment Agency</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Permanent Fund</u>	
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 30,971	\$ -		\$ -	\$ -	\$ 30,971
Due from Other Fund	-	-	-	-	186,443	186,443
Notes Receivable		14,175		-	-	14,175
Restricted Cash	<u>39,280</u>	<u>69,685</u>	<u>62,266</u>	<u>70,819</u>	<u>88,129</u>	<u>330,179</u>
TOTAL ASSETS	<u>\$ 70,251</u>	<u>\$ 83,860</u>	<u>\$ 62,266</u>	<u>\$ 70,819</u>	<u>\$ 274,572</u>	<u>\$ 561,768</u>
<u>LIABILITIES AND FUND EQUITY</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ -	\$ 79	\$ -	\$ -	\$ -	\$ 79
Deferred Revenue	<u>-</u>	<u>14,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,175</u>
TOTAL LIABILITIES	<u>-</u>	<u>14,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,254</u>
<u>FUND BALANCE</u>						
Reserved						
Community Improvements	-	-	62,266	-	-	62,266
Debt Service	-	-	-	70,819	-	70,819
Impact Fees	39,280	-	-	-	-	39,280
Endowments	-	-	-	-	274,572	274,572
Redevelopment Agency	-	69,606	-	-	-	69,606
Unreserved	<u>30,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,971</u>
TOTAL FUND EQUITY	<u>70,251</u>	<u>69,606</u>	<u>62,266</u>	<u>70,819</u>	<u>274,572</u>	<u>547,514</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 70,251</u>	<u>\$ 83,860</u>	<u>\$ 62,266</u>	<u>\$ 70,819</u>	<u>\$ 274,572</u>	<u>\$ 561,768</u>

MT. PLEASANT CITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	<u>Special Revenue</u>					Total Nonmajor Govern- mental Funds
	<u>Impact Fees</u>	<u>Redevelop- ment Agency</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Permanent Fund</u>	
REVENUES						
Taxes	\$ -	\$ 28,000	\$ -	\$ -	\$ -	\$ 28,000
Intergovernmental	-	12,500	19,112	-	-	31,612
Charges for Services	-	52,680	-	-	5,501	58,181
Interest	<u>2,287</u>	<u>3,189</u>	<u>-</u>	<u>-</u>	<u>12,910</u>	<u>18,386</u>
 TOTAL REVENUES	<u>2,287</u>	<u>96,369</u>	<u>19,112</u>	<u>-</u>	<u>18,411</u>	<u>136,179</u>
 EXPENDITURES						
Redevelopment Agency	-	36,863	-	-	-	36,863
Debt Service						
Principal	-	12,280	-	29,366	-	41,646
Interest and						
Finance Charges	-	9,472	-	9,733	-	19,205
Capital Outlay	<u>5,694</u>	<u>-</u>	<u>50,306</u>	<u>-</u>	<u>-</u>	<u>56,000</u>
 TOTAL EXPENDITURES	<u>5,694</u>	<u>58,615</u>	<u>50,306</u>	<u>39,099</u>	<u>-</u>	<u>153,714</u>
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(3,407)	37,754	(31,194)	(39,099)	18,411	(17,535)
 OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	-	-	16,008	49,476	-	65,484
Impact Fees	15,140	-	-	-	-	15,140
Transfers to Other Funds	<u>-</u>	<u>(19,836)</u>	<u>-</u>	<u>-</u>	<u>(11,352)</u>	<u>(31,188)</u>
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	11,733	17,918	(15,186)	10,377	7,059	31,901
 BEGINNING FUND BALANCE	<u>58,518</u>	<u>51,688</u>	<u>77,452</u>	<u>60,442</u>	<u>267,513</u>	<u>515,613</u>
 ENDING FUND BALANCE	<u>\$ 70,251</u>	<u>\$ 69,606</u>	<u>\$ 62,266</u>	<u>\$ 70,819</u>	<u>\$ 274,572</u>	<u>\$ 547,514</u>

MT. PLEASANT CITY
SCHEDULE OF IMPACT FEES
FOR THE YEAR ENDED JUNE 30, 2006

Mt. Pleasant City collects streets, parks and recreation, water, sewer, electric and irrigation impact fees. The following is a recap of the impact fees outstanding by year of collection:

Year Collected	Streets	Parks and Recreation	Water	Sewer	Electric	Irrigation
2003	\$ -	\$ -	\$ 7,931	\$ -	\$ -	\$ -
2004	17,125	-	27,065	-	1,823	-
2005	5,764	695	9,503	-	10,970	257
2006	11,426	4,270	18,227	-	23,041	734
Total	\$ 34,315	\$ 4,965	\$ 62,726	\$ -	\$ 35,834	\$ 991

The following capital projects are planned to use the impact fees shown above:

Capital Project Planned	Projected Cost	Estimated Starting Date	Type of Impact Fee
Build new roads in industrial park	\$ 50,000	2006-2007	Streets
Build new restroom at city park	\$ 25,000	2007	Parks
Extend 2 blocks of waterline	\$ 100,000	2008	Water
Extend lines as needed	\$ 20,000	Ongoing	Sewer
Upgrade system to handle growth	\$ 100,000	2010	Electric
Storage pond for irrigation water	\$ 100,000	2007	Irrigation

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STATE LEGAL COMPLIANCE REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

November 28, 2006

**Honorable Mayor
Members of the City Council
Mt. Pleasant City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mt. Pleasant City, Utah, for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued my report thereon dated November 28, 2006. As part of my audit, I have audited Mt. Pleasant City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

**"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)**

The City also received the following nonmajor grant which was not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Mt. Pleasant's financial statements.)

**Tourism Co-op Grant
Fire Department Grant**

**Airport Taxiway Grant
Library Grant**

My audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

**Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property
Tax Limitations
Class C Road Funds**

**Special Districts
Other General Issues
Uniform Building Code Standards
Liquor Law Enforcement
Justice Court
Impact Fees
Asset Forfeiture**

The management of Mt. Pleasant City is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. I considered these instances of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, Mt. Pleasant, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.


Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 28, 2006

Honorable Mayor
Members of the City Council,
Mt. Pleasant, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mt. Pleasant City, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued my report thereon dated November 28, 2006. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mt. Pleasant City, Utah's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Mt. Pleasant's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions mentioned above is a material weakness. I also noted other matters involving the internal control over financial reporting that I have reported to Mt. Pleasant's management in a separate letter dated November 28, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mt. Pleasant City, Utah's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, the City's management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Greg Ogden CPA". The signature is fluid and cursive, with the "CPA" part written in a slightly larger, more distinct font.

Greg Ogden,
Certified Public Accountant

MT. PLEASANT, UTAH

MANAGEMENT LETTER
JUNE 30, 2006

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

November 28, 2006

**Honorable Mayor
Members of the City Council
Mt. Pleasant, Utah**

Council Members:

The primary purpose of my audit of the financial statements of Mt. Pleasant, Utah, for the year ended June 30, 2006, was to enable me to form an opinion as to the financial position of the City at that date and the results of its operations for the year then ended. I believe it to be a part of my continuing professional responsibility to my clients to offer constructive suggestions relative to the City's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

Enclosed for your information and consideration are my comments and suggestions relating to internal accounting controls and other general matters which came to my attention during my audit of the financial statements. I have not performed any auditing procedures beyond the date of my opinion on the financial statements; accordingly, this letter is based on my knowledge as of that date and should be read with that understanding.

In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2006. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

My suggestions deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as a reflection on the integrity or capabilities of anyone in your organization.

I appreciate the cooperation and assistance I have received from the City's personnel in connection with my audit and in developing these recommendations.

This report is intended solely for the use of the management of Mt. Pleasant. However, this report, is a matter of public record and its distribution is not limited.

I would be pleased to discuss any of these matters with you and your representatives at your convenience and, if desired, to assist you in implementing any of these suggestions.


**Greg Ogden,
Certified Public Accountant**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE REQUIREMENT FINDINGS

FINDING - GENERAL FUND BALANCE BELOW REQUIRED AMOUNT

The City is required to maintain an unreserved general fund balance of at least 5% of total general fund revenues. The current unreserved general fund balance of \$66,483 is approximately \$5,700 below the minimum required.

RECOMMENDATION

I recommend that the unreserved general fund balance be brought into compliance with State requirements.

RESPONSE - MT. PLEASANT CITY

The Mayor believed that he had the required balance. Apparently due to some late June invoices the balance was reduced. In future years we will not enter any late invoices, they will be put in a folder for the auditor to handle with adjusting entries.

FINDING - DEFICIT RETAINED EARNINGS BALANCE IN THE INTERNAL SERVICE FUND

One internal service fund has a deficit balance in retained earnings.

RECOMMENDATION

The City should charge sufficient amounts to the other departments of the City to recoup all of the costs incurred in the internal service funds. Charges for 2007 may need to be increased to offset the deficit from 2006.

RESPONSE - MT. PLEASANT CITY

We will increase the operating transfers from the enterprise funds to offset the deficit from 2006.

FINDING - DEPARTMENTAL BUDGET OVERSPENT

State law requires that departmental expenditures be limited to the budgeted amounts. The 2006 fiscal year budget for the landfill department was overspent by \$1,973.

RECOMMENDATION

I recommend that expenditures be kept within the budgeted amounts. They City should review the budget at the end of the year and amend it if necessary to ensure that no departmental budgets are overspent.

RESPONSE - MT. PLEASANT CITY

The landfill is an assessment we collect from the residents who have a Mt. Pleasant City power connection. The amount collected and sent to the county landfill is dependant on the amount of assessments we collect. It may be up or down. The budget figure is an estimate based on the previous year.

INTERNAL CONTROL FINDINGS

FINDING - UTILITY COLLECTIONS

A large percentage of the City's utility collections are considerably late. At June 30, 2006, 11% of the outstanding utility receivables balance was over 90 days past due and 33% was over 30 days past due.

RECOMMENDATION

The City should strictly enforce their utility policy. If this does not resolve the problem with late utility collections, you may need to implement an even stricter policy.

RESPONSE - MT. PLEASANT CITY

The City implemented a stricter shut off policy this past year and the Treasurer and the Billing Clerk are trying very hard to adhere to the collection policies in effect. The biggest problem we are having with outstanding utility bills stems from businesses that run up a bill and then close the business and leave town. We are going to implement a larger deposit for the On Demand customers. We will also send the past due bills to collection on a more timely basis.

FINDING - ACTUAL EXPENDITURES ADJUSTED TO MATCH THE BUDGET

Year-end adjusting entries were posted to various accounts to bring them into compliance with the City's budget. Most of these entries were allocations of various expenditures between departments and were fine. However, some of the entries reduced the actual expenditure of debt payments to match the budget.

RECOMMENDATION

Actual expenditures should not be reduced to match the budget, rather the budget should be increased to match the actual expenditures.

RESPONSE - MT. PLEASANT CITY

The Recorder/Auditor will work with the Mayor to ensure that the budget is adjusted, not the expenditures.

FINDING - IMPACT FEE RESERVES

The cash received for impact fees has not always been transferred to the reserved cash account. The equity reserves are accurate, but the cash balances are underfunded.

RECOMMENDATION

I recommend that sufficient cash be transferred to the reserved impact fee cash accounts to match the impact fee equity reserves.

RESPONSE - MT. PLEASANT CITY

2005 was the first year for the Recorder in her position, she was not aware of the requirements regarding impact fees. Starting with this budget year, July 2006, we are sending the impact fees to the UPTIF account every month. We have an accounting of each type of fee and the interest is being posted to them. We will attempt to make up the shortfall in the cash account.